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Supporters Of Contras Tax Exempt

Group Promised IRS No Funds for Rebels

By Robert Parry
Associated Press

A leading group raising funds for rebels fighting the Nicaraguan government obtained tax-exempt status three years ago after pledging never to provide "materiel or funds" to insurgents, according to Internal Revenue Service documents.

Now, however, the group, the U.S. Council for World Freedom, claims credit for funneling tens of thousands of dollars in aid to the counterrevolutionaries, or contras, seeking to overthrow Nicaragua's Sandinista government.

Retired major general John K. Singlaub, council chairman, said this week that he was not familiar with the commitment made to the IRS by the group's treasurer. "I suppose I should be," he said.

Singlaub and other council officials say funds collected in the United States were used only to buy nonlethal supplies in an effort to avoid violating U.S. neutrality and arms export laws. Money to buy weapons for the contras was raised elsewhere, they said.

Singlaub also has said that White House national security officials gave him advice on his private fund-raising last year after Congress stopped Central Intelligence Agency aid to the rebels. Two congressional panels have announced plans to examine those contacts next month.

IRS spokesman Wilson Fadely said privacy laws prevent him from commenting on any possible review of the council's tax-exempt status, but he noted that an exemption is granted "based upon the information provided to us" and could be revoked if a group is "not carrying out the tax-exempt purpose."

The Arizona-based U.S. Council for World Freedom (USCWF) is the American chapter of the World Anti-Communist League. It received tax-exempt status on Oct. 14, 1982. That means U.S. taxpayers can deduct their donations from taxable income.

On Aug. 14, 1982, in response to a question from IRS headquarters, Albert T. Koen, the council's treasurer, wrote the IRS that "at no time will the USCWF ever contemplate providing materiel or funds to any revolutionary, counterrevolutionary or liberation movement." In the letter, the words "at no time" are underlined.

Koen offered the assurance in explaining a reference in the council's constitution to rendering "material support to [anticommunist] liberation movements." In the letter, Koen said the council considered "material support" to be sponsoring seminars "for people of nations under communist rule . . . to present their views to the American people."

The Associated Press obtained the documents under IRS disclosure rules.

Asked this week about his 1982 letter to the IRS, Koen said he considered the pledge against providing "materiel" to apply only to the shipment of weapons to insurgent groups, not to sending nonlethal supplies. Koen added that his response to the IRS question was discussed by the council's leaders and that Singlaub was aware of it.

Koen also said that although the council only told the IRS of its plans to conduct educational campaigns, "we had always intended to give support of other types to those [anticommunist rebels] in Angola and elsewhere."

This week, Johnnie Johnson, who succeeded Koen as council treasurer, said the group's U.S. fund-raising for the rebels raised between \$100,000 and \$300,000 this year.

He said the money had been spent on such items as boats and clothing—but not weapons—for soldiers in the Honduran-based Nicaraguan Democratic Force, or FDN, and Misura, an Indian rebel organization.

Johnson argued that the assistance was proper because it had President Reagan's backing and "the blessing of the government."

The council established a special account for "Nicaraguan freedom fighters" with the checks made payable to the "U.S. Council for World Freedom" so contributors could benefit from the tax-exempt status, Griffin Merkel, the group's administrative assistant, said.

Beyond those U.S. contributions, Singlaub, who is also chairman of the World Anti-Communist League, has said that he used the league's international contacts to help the contras obtain lethal military aid from foreign governments, individuals and corporations.

The council's tax-exempt status was granted by IRS headquarters after the IRS' Los Angeles district referred the issue to the national level, citing "no precedents" for such a group receiving tax exemption as a charitable or educational organization.